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IN
SUBJECT: A/S BOUCHER AND FOREIGN SECRETARY SARAN TALK
CIV-NUKE, NEPAL, CHINA, PAKISTAN, AND TERRORISM

Classified By: Charge d'Affaires Geoff Pyatt for Reasons 1.4 (B, D)

11. (S) Summary. In an August 7 meeting between A/S Boucher and Foreign Secretary Shyam Saran, A/S Boucher:

-- told Saran that the U.S. is committed to maintaining the spirit of the civil-nuclear deal as agreed on July 18; and

-- explained concrete steps the U.S. has taken against Pakistani terrorist groups, and described pressure the U.S. puts on Pakistan to counter terrorists within its borders.

Saran:

-- stressed the importance in India that the civil-nuclear initiative remain consistent with the spirit of the agreement between President Bush and Prime Minister Singh on July 18, 2005, assured A/S Boucher that India is working in parallel to move forward with Nuclear Suppliers Group members and the International Atomic Energy Agency, and inquired into the possibility of flexibility in the sequencing of steps forward to finalize the civ-nuke deal;

-- expressed optimism in regard to the political process in Nepal, and noted agreement with the U.S. on where the UN fits
-- and doesn't fit -- into the process,

-- rejected an offer by China to participate in a trilateral

U.S.-India-China talk on regional issues;

-- indicated India's willingness to restart dialogue with Pakistan while insisting Pakistan needs to take concrete action to control terrorists, and said India is concerned about an increase in Pakistani-linked infiltrations; and

-- suggested PM Singh will not likely attend the UN General Assembly.

End Summary.

Civil-Nuclear Cooperation Initiative

¶2. (C) Foreign Secretary Saran began the meeting by thanking A/S Boucher for his efforts in the U.S. Congress in advancing the civil-nuclear deal and said he hoped progress in the U.S. would enable India to convince its parliament and its public that the deal remains in the parameters of the agreement President Bush and Prime Minister Singh outlined on July 18, ¶2005. Should the legislation be seen as deviating from the July 18 agreement, it could cause major problems for acceptance in India, Saran said. A/S Boucher replied that he had been trying to make that point in Washington, and Saran expressed appreciation, saying the perception that the deal remains true to the original agreement was "critical." Managing the issue in New Delhi has been complicated, Saran stated, and will remain so even after the monsoon parliament

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session ends in late August. Saran assured A/S Boucher that India is working in parallel to move forward with NSG members and in the IAEA.

¶3. (C) Foreign Secretary Saran related that in his last meeting with U/S Burns he inquired into the possibility of "wiggle room" in the sequencing of steps forward to finalize the civ-nuke deal, i.e., whether the U.S. needed an India-IAEA agreement which was signed, sealed and delivered before it could finalize the deal on the U.S. side, or whether an agreement in principle with the IAEA Board of Governors would suffice. He said the flexibility allows New Delhi to move in parallel on safeguards and Nuclear Suppliers Group issues, leaving room for interpretation in internal deliberations. A/S Boucher offered to seek clarification on how much flexibility the U.S. side could accept.

Nepal

¶4. (C) Noting that he had met with the UN team before and after its recent mission to Nepal, Foreign Secretary Saran described progress in the Nepali political situation as "tremendous." While posturing could be expected from all sides involved, Saran said his sense was that a political solution was actually very close. Saran stressed the need for political leaders to find common ground, meaning making it clear to Maoists that they would not be allowed into the government without disarming, while addressing the safety and livelihood of the Maoists once they disarm. He clarified that India's definition of "disarmament" means physical separation of men from their guns, not storage in a warehouse. The UN and international community have an important role to play in disarmament, and there should be no compromise on the necessity of Maoists disarming before elections. Saran said he told the UN delegation that disarmament must be part of a package including security and livelihood components. Saran said PM Koirala agreed on this point when he met with him at the end of July. A/S Boucher asked Saran to clarify what role he envisioned for the UN in Nepal, and Saran said that the UN should be involved in disarmament and election monitoring, but should definitely not get drawn into a mediation role. Saran agreed with A/S Boucher that a UN mediating role could be perceived as

placing the two sides on the same level or seeking compromise on the disarmament issue.

15. (C) The Ministry of External Affairs had recently held a meeting with the Indian Ministry of Defense to discuss military assistance to Nepal, Saran said. While India has decided to offer some non-lethal equipment and to write off nearly \$24 million of arms supplies debt arrears, it has not made any new offers of military assistance. Even for the non-lethal equipment -- as it would for any new request -- the India is seeking a formal request from the civilian Government of Nepal. Because the situation in Kathmandu is extremely delicate now, Saran felt it is important for any military assistance to Nepal to come from a formal government

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request, and to avoid sending a signal to the Maoists that assistance is aimed at strengthening the relative advantage of the army. Saran noted that China has been active in Nepal, stating that Wang Je Chuan has traveled to Nepal 2-3 times recently to meet with Maoists. He concluded the topic by saying the U.S. and India have cooperated well on Nepal over the last year-and-a-half, and urged the coordination to continue.

China

16. (C) A/S Boucher said he was relaying an offer from the Chinese to hold a trilateral U.S.-India-China discussion about South and Central Asia, stating he had promised nothing to the Chinese and was wary of appearing to be inviting China into regional discussions. Saran noted that China had made similar offers in the past, citing a 1998 Chinese offer to coordinate with the U.S. on India's nuclear test. While the U.S. is free to talk to China as it sees fit, Saran said, he did not see such a trilateral meeting as something India would encourage. Saran said China has not been helpful in the region in the past, is scrambling to win back influence they have lost, and has been harmful in its relationship with Pakistan. India would prefer to continue consultations with the U.S. in a bilateral manner, he said.

Pakistan/Counter-terrorism

17. (S) Saran said his August 1 meeting with Pakistani Foreign Secretary Riaz Khan on the margins of the South Asian

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Association for Regional Cooperation meeting in Dhaka "went well." Both sides agreed on the need to keep the India-Pakistan peace process moving forward and both sides wanted to resume Composite Dialogue talks as soon as possible. Saran said he assured Khan that India will not interrupt nor downsize any exchanges or dialogues already taking place and will not cancel any planned exchanges. However, he urged Khan that Pakistan should take concrete steps to show that they are doing something to stop Pakistani-based terrorism, not just because India is pressuring Pakistan, but to show that Islamabad is sincere when it says it is keeping terrorism under a very close watch. Saran disputed Pakistani claims that they are keeping a tight lid on terrorists. He said that while President Musharraf promised in August 2005 that infiltrations across the Line of Control would stop, after a temporary drop in numbers, infiltrations have risen again. India is particularly worried about increasing Pakistani linkages to Syed Salahuddin, Masood Azhar, Jaish-e-Mohammed, Hizbul Mujahideen, and Lashkar-e-Taiba (LeT) terror operatives some in Bangladesh and Nepal. Saran later specifically cited a renewed threat from Jamaat-ud-Dawa (JuD), saying India has evidence the group has been emboldened again.

18. (S) Saran said India offered Pakistan specific evidence of Pakistani-based involvement in the Mumbai bombings through a

back channel. He expressed disappointment that news of the back channel was being leaked to the public from Pakistan.

¶9. (S) A/S Boucher told Saran that the U.S. has also been encouraging Pakistan to take concrete action against terrorists within its borders. The U.S. message to Pakistan has been that all terrorists are bad, not only for the threat they pose the international community, but also for the threat to Pakistan. While the U.S. keeps reminding Islamabad about the need for action, results on the ground have been less than what was suggested.

¶10. (S) The Mumbai bombings (of July 11) should not be taken in isolation, Saran said, but as part of a series of events that are approaching a critical mass. Citing several terror attacks in recent years, Saran said that "If the attack on (the Hindu holy city of) Varanasi had succeeded, we would be in a conflagration." A/S Boucher noted concrete actions the U.S. had taken in countering Pakistani terror groups, including prosecutions in the U.S. and U.S. leadership in listing LeT and other groups on UN terrorist watch lists. Boucher and Saran agreed that while the appearance of pressure from outside to take action against terrorists might be counterproductive, Pakistan should realize its own interests are served by taking demonstrative action.

¶11. (S) Saran said India assesses that President Musharraf finds himself in a political bind, having been unable to cut a political deal with opposition leaders Benazir Bhutto or Nawaz Sharif which could have kept him in power. With Musharraf facing elections in 2007, Saran believes that if Musharraf is unable to cut a deal, he will inevitably gravitate closer to the army, and counter-terrorism efforts will suffer. Taliban influences in Pakistan and Afghanistan have already risen due to this, Saran asserted. A/S Boucher reiterated that the U.S. is pushing Pakistan on terrorism. Saran said that while India was eager for relations with Pakistan to improve, terrorism hung over the relationship "like the sword of Damocles." He questioned the recent expulsion of an Indian diplomat from Islamabad, calling the incident "bizarre" and saying the excuse that Pakistani intelligence agencies were out of control was perhaps more ominous than if it had been a calculated diplomatic move. He also said that while India has continued with exchanges and dialogue following the Mumbai bombings, Pakistan has canceled one business delegation to India and denied visas to a peace delegation heading to Pakistan.

UN Attendance

¶12. (C) Saran said that at the present time he did not believe Prime Minister Singh would attend the UN General Assembly. The Prime Minister has had ample opportunity recently to meet with President Bush (in New Delhi and St. Petersburg) and other leaders, and is not allured merely by the chance to make a speech at the UN. Prime Minister Singh will also have the opportunity to meet with President

Musharraf at the Non-Aligned Movement summit in Havana in September, Saran noted.
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